

BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF WASHINGTON

In the Matter of

No. G02-45

THE APPLICATION REGARDING
THE CONVERSION AND
ACQUISITION OF CONTROL OF
PREMERA BLUE CROSS AND ITS
AFFILIATES

OIC STAFF'S RESPONSE TO
PREMERA'S MOTION TO EXTEND
CASE SCHEDULE, INCLUDING
UPCOMING DEADLINES AND
HEARING DATE

COMES NOW the Office of the Insurance Commissioner's Staff ("OIC Staff") , by and through their attorneys of record MELANIE C. deLEON, Assistant Attorney General and JOHN F. HAMJE, Special Assistant Attorney General, and files this Response to Premera's Motion to Extend Case Schedule ("Premera's Motion") received on December 4, 2003.

OIC Staff has reviewed the factual basis for Premera's Motion and concurs with an extension of the case schedule to include the deadline for the Commissioner to issue a decision on Premera's Form A Statement ("Form A") from March 15, 2004 to May 17, 2004. OIC Staff agrees that the schedule Premera has proposed is appropriate to permit the OIC Staff and Premera to discuss the Form A in light of the issues raised in the various expert reports and to allow Premera the opportunity to supplement the Form A where appropriate while protecting the interests of the Intervener Groups and the public to participate in the review process in a meaningful way.

In a typical Form A proceeding, the affected parties (the acquiring and target companies) would normally engage in a dialogue with the OIC Staff for the purpose of ensuring that the Form A statement complies with the applicable provisions of law. This dialogue is usually informal and continuing in nature, and may result in the submission of changes to the Form A as late as immediately prior to the commencement of the Form A

1 hearing. *See* WAC 284-18-370; 284-18A-360. Additionally, this procedure is not prohibited
2 by the Holding Company Acts which also govern these types of proceedings. *See* chapters
3 48.31B and 48.31C RCW.

4 The OIC Staff's expert reports and the OIC Staff's experts' testimony given during
5 their depositions taken between November 17, and December 2, 2003 indicate that problems
6 in the Form A could be cured through further discussions with Premera.¹ Discussions have
7 not been resumed due to the necessity of devoting the parties' total attention and resources to
8 compliance with the aggressive case schedule as well as to the inability of the OIC Staff and
9 Premera to agree to the manner in which outcomes of the discussions may be appropriately
10 presented to the Commissioner. The OIC Staff and Premera would now agree that Premera
11 may file amendments to its Form A as the outcome of these discussions. As noted in its
12 motion, Premera has agreed to brief the Intervenor's counsel in conjunction with OIC Staff on
13 as often as a daily basis as to the outcome of these discussions.

14 With respect to the Form A, the public's interest is best served by addressing as many
15 issues as possible prior to the actual hearing. By allowing time for discussions between
16 Premera and the OIC Staff and any resulting modifications to the Form A, the Commissioner
17 will be provided the benefit of narrowing of the differences of opinion between Premera and
18 OIC Staff and the best information available upon which to base his decision. Additionally, if
19 the problems identified with the Form A can be cured through these contemplated discussions,
20 the cost to the State including the public will be reduced because the hearing time will be
21 reduced, thus saving time, money and manpower for all parties.

25 ¹ The OIC Staff and Premera had previously met on October 22, 2003 to discuss some of the issues
26 outlined by the reports. While productive, this meeting did not yield any change to the Form A.

Additionally, OIC Staff has reviewed the proposed timeline as delineated in Premera's Motion and Proposed Order. OIC Staff concurs with the changes to the timeline and believes that it is an appropriate extension to address concerns and issues without creating needless delay.²

Based on the foregoing, OIC Staff concurs with the case schedule modification to include those timeframes specifically outlined in Premera's Motion and Proposed Order.

RESPECTFULLY SUBMITTED this 4th day of December, 2003.

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² The OIC Staff recognizes that the experts may be unable to update or supplement their reports by January 29, 2004. Therefore, the OIC Staff would recommend that the Proposed Order include language that, in the event a report cannot be filed by January 29, 2004, a motion may be filed requesting up to three additional business days for submission of any update or supplement.